

## Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01

USIA-06 /088 W

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R 271026Z JAN 75

FM AMEMBASSY AMMAN  
TO SECSTATE WASHDC 3635  
INFO AMEMBASSY BEIRUT  
AMEMBASSY DAMASCUS  
AMEMBASSY JIDDA  
AMCONSUL DHAHRAN

C O N F I D E N T I A L AMMAN 0619

E.O. 11652: GDS

TAGS: ENRG, JO

SUBJECT: JORDAN'S PETROLEUM SUPPLIES

REFS: (A) AMMAN 140 (B) AMMAN 303

1. TAPLINE MANAGER OF GOVERNMENT RELATIONS, DODGE, AND COMPANY'S JORDANIAN REPRESENTATIVE MET YESTERDAY WITH PRIME MINISTER RIFAI AND CENTRAL BANK GOVERNOR NABULSI TO DISCUSS SUPPLIES OF CRUDE OIL TO ZARQA REFINERY. ACCORDING TO DODGE, TAPLINE OFFERED TO INSTALL BOOSTER PUMP SO THAT DELIVERIES CAN BE INCREASED. GOJ WOULD PAY FOR INSTALLATION AND RENTAL OF PUMP, RENEGOTIATE PRICE OF CRUDE OIL AND SETTLE DEBT FOR OIL DELIVERIES SINCE 1972. AT THE OLD PRICE OF \$1.95 PER BARREL, JORDANIANS OWE COMPANY AROUND \$10 MILLION.

2. PM OFFERED TO PAY \$10 MILLION AGAINST PAST DELIVERIES AND RAISE FUTURE PRICE TO \$2.00 PER BARREL. THIS WOULD BE AN INTERIM ARRANGMENT AND WOULD NOT PREJUDICE A FINAL AGREEMENT.

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GOJ TAX ON COMPANY, "TAPLINE FEE", WOULD REMAIN UNCHANGED

UNDER INTERIM ARRANGMENT. GOJ ALSO AGREED TO BEGIN TALKS TOWARD FINAL CONTRACT IN THE NEAR FUTURE.

3. PM MAINTAINED GOJ COULD NOT AFFORD MORE, AS RABAT PAYMENTS AND RECENT GRANTS FROM SAUDI ARABIA ARE EARMARKED FOR ESSENTIAL MILITARY ITEMS AND TO COVER BUDGET DEFICIT. HE NOTED EVEN THE \$10 MILLION MIGHT BE DIFFICULT, AS PAYMENTS MADE BY THE JORDAN PETROLEUM REFINERY COMPANY (AT THE OLD \$1.95 PRICE) HAVE BEEN SPENT FOR OTHER PURPOSES. GOJ BUDGET DIRECTOR PREVIOUSLY NOTED THAT THESE FUNDS HAD BEEN USED TO COVER CASH SHORTAGES (REF. A).

4. TAPLINE MANAGER WILL RELAY GOJ OFFER TO TAPLINE HEADQUARTERS, BUT TOLD PM IT FAILS TO COVER COMPANY TAX OF \$4.50 PER BARREL TO SAUDI GOVERNMENT. IN EMBASSY DISCUSSION DODGE ADDED THAT COMPANY HAD NOT PAID THIS TAX YET AND THAT IT WAS BEING DISCUSSED WITH SAUDIS.

5. PM TOLD COMPANY OFFICIALS THAT OIL STOCKS WILL BE DEPLETED BY MID-FEBRUARY, INDICATING THAT JORDAN WOULD THEN HAVE TO RATION DELIVERIES OR IMPORT REFINED PRODUCTS FROM NEARBY COUNTRIES. TRANSPORTATION OF BOOSTER PUMP FROM SAUDI ARABIA AND INSTALLATION WILL TAKE AROUND 30 DAYS.

6. DODGE ADMITTED THAT IF SAUDIS PUT PRESSURE ON TAPLINE, COMPANY MIGHT BE FORCED TO SETTLE FOR LESS THAN CURRENT GOJ OFFER. AMBASSADOR URGED TAPLINE TO SERIOUSLY CONSIDER JORDANIAN PROPOSAL, AS CUT IN CRUDE PETROLEUM DELIVERIES WOULD WEAKEN COUNTRY'S DEFENSE POSTURE AND SERIOUSLY HAMPER ECONOMIC DEVELOPMENT.

7. TAPLINE MANGER NOTED THAT SAUDIS HAD NOT YET FOCUSED ON PRICING POLICY FOR OIL SOLD IN EASTERN MEDITERRANEAN. RECENT HIGHER PRICE FOR SAUDI ARABIA CRUDE THERE HAS REDUCED DELIVERIES THROUGH TAPLINE. AMBASSADOR OBSERVED SAUDIS PROBABLY NOT AWARE TAXES ON OIL AND PRICE POLICY MIGHT CREATE FINANCIAL PROBLEMS FOR JORDAN. SAUDI GOVERNMENT HAS BEEN GOJ'S MOST GENEROUS ARAB SUPPORTER. IN ADDITION TO REGULAR BUDGET SUPPORT PAYMENTS, SAUDI ARABIA HAS MADE OCCASIONAL GRANTS FOR SPECIAL PROJECTS, SUCH AS \$57 MILLION PROMISED DURING KING FAISAL'S RECENT VISIT TO AMMAN. SAUDI ARABIA HAS ALSO BEEN THE ONLY COUNTRY SO FAR TO

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MAKE RABAT PAYMENTS, IN APPRECIATION FOR JORDAN'S ROLE AS A CONFRONTATION STATE. SAUDI POLITICAL SUPPORT FOR JORDAN WAS THEREFORE ANOTHER CONSIDERATION TAPLINE MIGHT WISH BEAR IN MIND IN DECIDING WHETHER TO ACCEPT SETTLEMENT OFFER. SUBSEQUENTLY IN DISCUSSION WITH PRIME MINISTER, HE INDICATED JORDAN WOULD BE WILLING TO APPROACH SAUDIS ABOUT THEIR TAX ON OIL FOR JORDAN AND ALSO ABOUT SIDON PRICING POLICY AND INCREASING THROUGH PUT IF TAPLINE THOUGHT SUCH WOULD HELP.

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM RESERVES, PETROLEUM PIPELINES  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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